



COMMITTEE ON THE BUDGET

Majority Caucus
U.S. House of Representatives
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TALKING POINTS

FY 2007 HOUSE BUDGET RESOLUTION STRENGTH, SPENDING CONTROL, REFORM

The Fiscal Year 2007 budget furthers our Republican PLAN to support our growing economy, strengthen our nation's most critical programs, reform the federal government, and spend the taxpayers' dollars wisely.

Our budget is based on three clear priorities: *Strength, Spending Control, and Reform.*

STRENGTH

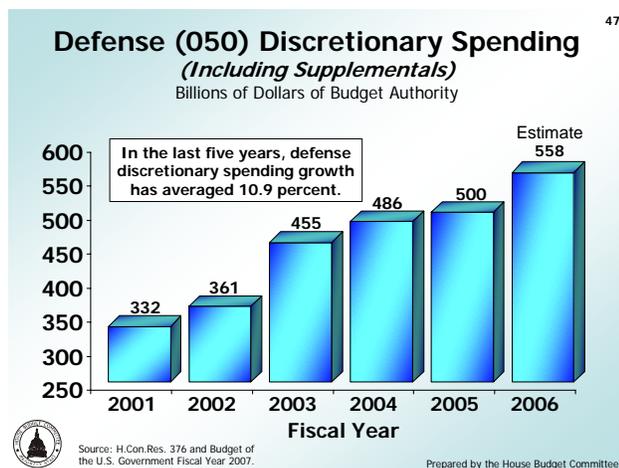
We will further build on our nation's greatest strengths, including:

The Economy: Continues our successful pro-growth policies (*no tax increase!*) to ensure our economy and job creation remain strong and growing.

- ▶ Our economy has grown at a robust average of better than 3% a year since 2003.
- ▶ Nearly 5 million *new* jobs have been created in the past 2½ years.
- ▶ The unemployment rate has fallen to 4.8% – lower than the average of the 1970s, 1980s, and 1990s.
- ▶ As a *direct* result of the economy's growth, revenues coming *into* the federal Treasury have increased – by about 15% last year alone – even *with* the accelerated tax relief

Defense and Homeland Security: Provides whatever is *needed* to support our troops, and to keep our nation's defense and security the strongest in the world.

- ▶ Allows for the President's 7% increase in defense "base" budget – excluding war costs – (Appropriations Committee determines the actual split); 3.8% increase in homeland security.
- ▶ **War on Terror:** Continues to set aside a \$50 billion reserve for war costs – as we've done in previous two budgets.
 - *For the first time this year, the Administration followed suit and included a similar reserve in its budget proposal.*

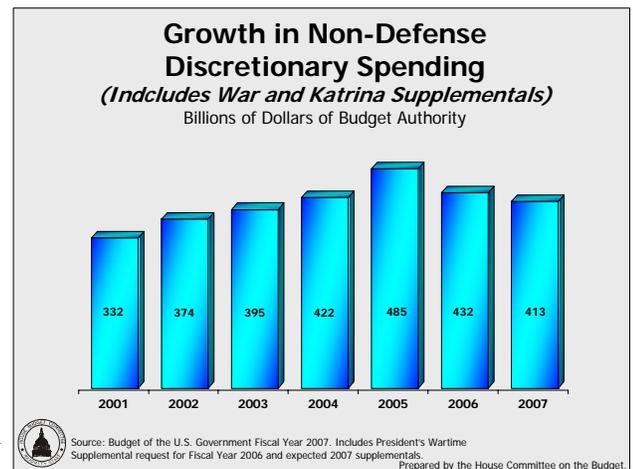


SPENDING CONTROL

Continues our efforts to control spending – *both in appropriations and entitlement programs* – by restraining non-security discretionary spending, and by building on our progress to reform and find savings in mandatory programs.

Discretionary Spending

- ▶ Holds non-security discretionary spending to a near freeze (*assumes President's defense and H.S. levels – Appropriations Committee determines the actual split*) for a second, consecutive year – following the 1.3% growth in FY 2004, and a marked improvement from the previous 5-year average of about 6.3%.
- ▶ Near freeze does not mean *every* program will be held at current level. Appropriations may decide to give high-priority programs funding increases, while lower-priority, under-performing, or obsolete programs will have to do with less – or none at all.
- ▶ Also includes a \$2.3 billion reserve for avian flu.
- ▶ Overall discretionary spending has increased by an average of 7% each year during the past decade – more than twice the rate of inflation.
- ▶ Non-security priorities that have received large funding increases include: Veterans, education, and NIH.



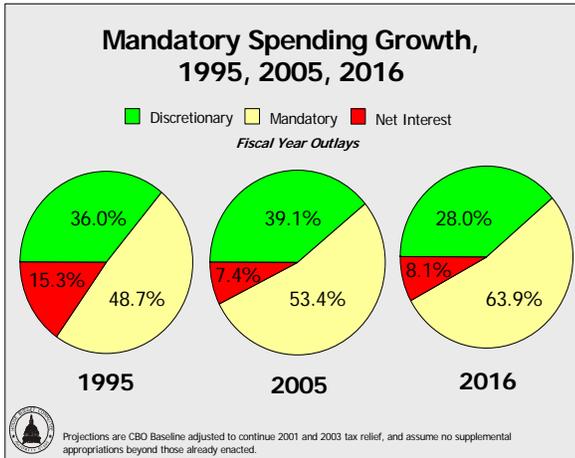
Entitlement Reform

- ▶ Budget includes \$6.8 billion in mandatory savings over 5 years through common-sense reforms, which will:
 - Reduce fraud and overpayments.
 - Eliminate corporate subsidies.
 - Strengthen retirement security.
 - Restore market forces.
- ▶ Last year – for the first time in nearly a decade – Congress reformed some of the largest entitlement programs, saving taxpayers nearly \$40 billion over 5 years.

Why We Must Regularly Reform Entitlements

- ▶ These programs provide a critical safety net for millions of Americans. They deserve our regular oversight and reform to ensure they are providing the services they were created to provide.
- ▶ Mandatory, or “auto-pilot,” spending currently consumes over half of total federal government spending – in just a decade, it will consume nearly 64%.
- ▶ Mandatory spending is growing *far* faster than our economy, *far* faster than inflation, and *far* beyond our means to sustain it.

- ▶ We will never control spending – *let alone get back to balance* – if we do not regularly address this largest part of our budget.
- ▶ Even if the budget were balanced today, entitlement spending would drive it back into deficit a year from now – and this does *not* take into account the full effect of the baby boomers’ retirement!



Reconciliation Targets in the Budget
(Outlays in millions of dollars)

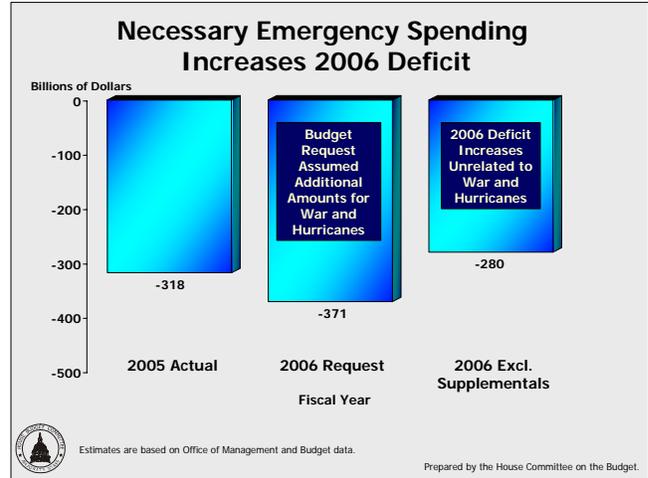
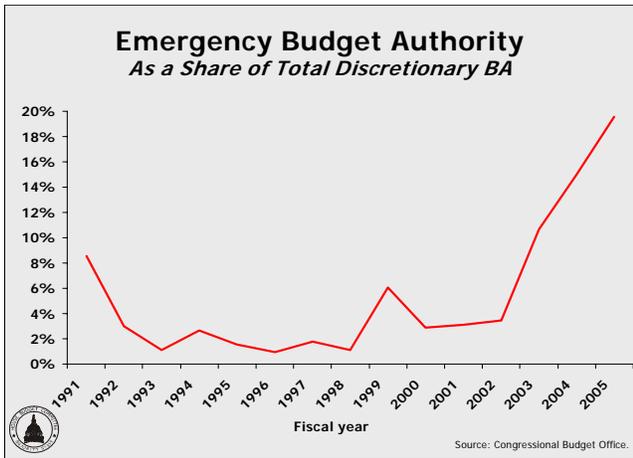
	FYs 2007-2011
Agriculture	-55
Armed Services	-175
Education and Workforce	-1,323
Financial Services	-400
International Affairs	-250
Judiciary	-500
Transportation and Infrastructure	-50
Ways and Means	-4,000
	-6,753

BUDGET PROCESS REFORM

In addition to furthering our efforts to reform and improve federal government programs, we will begin to reform the budget process itself, to better reflect and address how federal government dollars are actually *spent*.

Emergencies

- ▶ Establishes NEW reserve fund to better budget for natural disaster emergencies.
- ▶ Reserves \$4.3 billion for FY '07 natural disaster funding – excluding Katrina spending.
 - Reserve level is based on 10-year median – which excludes extreme highs and lows – of what we’ve *actually* spent in the past.
 - The definition of an emergency remains unchanged from previous budgets (i.e. unforeseen, urgent, imminent, temporary, and an immediate threat to life or property).
 - If emergency spending exceeds emergency reserve, requires Budget Committee to vote to increase budget limits.
- ▶ The year after 9-11, Congress’s total “emergency” spending – or that spending *outside* of budget limits – accounted for 3.1% of total discretionary spending. By 2005, emergency spending totaled 20% of all discretionary spending!



Other Reforms

- ▶ This reform is part of a larger budget process reform package, including: earmark reform – which was included in lobby reform legislation; the line-item veto – which the Budget Committee will consider likely late spring; and procedures to sunset programs and agencies that have outlived their usefulness.

TAXES

- ▶ Prevents automatic tax increase by providing for the extension of the '01 & '03 tax relief.
- ▶ Also accommodates House-passed tax bills (including AMT, cap gains, dividends, pensions, routine extenders).
 - *Includes special reserve fund to allow the AMT to be extended for a full 2 years.*
- ▶ Provides \$228 billion to accommodate tax policies (none reconciled).

DEFICITS

- ▶ Furthers our efforts to reduce deficits by:
 - Continuing our successful economic policies that are generating record levels of revenue (*no tax increase*).
 - Holding non-security discretionary spending to a near freeze.
 - Mandatory savings of at least \$6.8 billion over 5 years.
- ▶ **Deficits will fall by more than half, from the \$521 billion projected in FY'04 to \$191 billion in FY'09.**
- ▶ **After \$200 billion in consecutive deficit reduction (compared with initial projections), the short-term increase in the deficit resulted from spending related to last year's hurricanes.**
 - **That served as a solid reminder that “spending control” isn't a one-stroke**

fix. We must be diligent in our efforts to ensure taxpayers' dollars are spent wisely and are not subject to rampant waste, fraud, and abuse.

Why The FY 2007 Budget PLAN Works for America:

- ✓ Continues Republican's Successful Pro-Growth Policies to Keep Our Economy Growing Strong and Creating Jobs.
- ✓ Continues to Ensure Our Nation's Defense and Homeland Security is Strongest in the World.
- ✓ Controls the Spending We *Can* Control:
 - Holds Non-Security Discretionary Spending to a Near-Freeze for Second Consecutive Year.
 - Reforms and Achieves Savings in Entitlement Programs for Second Consecutive Year.
 - Establishes "Rainy Day" Fund to Better Budget for Natural Disasters, as Part of a Budget Process Reform Package Including Earmark Reform, the Line-Item Veto, and a Sunset Commission.